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## AUSTRALIAN ECONOMIC PROBLEMS: II. THE TARIFF.

### SUMMARY.

Colonial tariffs, 576.—Early protection, 577.—New South Wales and Victoria, 578–580.—The tariff and the Federal Constitution, 582.—Compromise with Western Australia, 583.—Administration of customs, 584.—The First Federal Tariff of 1901, 586.—Protection to labor, 587.—The “New Protection,” 588.—The Second Federal Tariff of 1907, 592.—Preference to Great Britain, 593.—Manufactures extend, 597.—Questions as to states’ rights, 599.—Protection likely to continue, 601.

THE principal motive for forming a federation in Australia, as in America, was to secure free trade among the states. In each case the act of union was accompanied and followed by tariff controversies that caused a rearrangement of both political parties and business conditions. But Australians have brought to bear upon this issue opinions matured by a century of discussion in other countries and of experience at home. At the same time, however, they have had to consider protection and free trade in relation to laws and political exigencies peculiar to the Commonwealth, for which they could find no precedents in other lands.

From as early as 1799 Australian governors levied import duties upon such luxuries as rum and tobacco. These taxes were for revenue only, and had been in force some twenty years before they were legalized by an act of the British Parliament. In 1842, before representative government was established in Australia, the New South Wales authorities tried to legalize by ordinance a custom,

existing without statutory warrant, of allowing free entry to goods from Tasmania in return for a like favor from that colony, and extending this reciprocal free trade to New Zealand. The imperial government disallowed the act, and forbade any colony to give preferential treatment in its tariff arrangements to another colony. From this date until the federal tariff was enacted, nearly sixty years later, each colony levied duties upon imports from other colonies, as well as from the mother country.

Tho the British government would not allow a colony to give tariff preference to one of its neighbors as against another, it favored a uniform tariff for Australia, with intercolonial free trade. In 1847 the Colonial Office at London, and two years later the Committee of Parliament on Trade and Plantations, recommended that a central legislative authority be established in Australia to enact such a tariff. The committee reported that, if each colony were permitted to impose duties according to its own wants, the obstruction to trade and check to development would be so great as to render it necessary "that there be one tariff common to them all, so that goods may be carried from one into the other with the same absolute freedom as between adjacent counties in England."

But the colonies were not yet ready to submit their revenue policies and financial fate to a central government, and their opposition defeated the project. They were averse to a uniform tariff, not because of differences as to protection and free trade, but because each colony wanted to control its customs for purposes of local revenue.

At this time a nominally free-trade party was in undisputed control throughout Australia. The grazing interests, then dominant and always important, favored a low tariff. They marketed their wool largely in Great Britain,

where it was exchanged for British manufactures. They wished to buy these manufactures as cheaply as possible, and they did not want local industries established that would increase settlement, and by creating a demand for government land possibly deprive them of their leaseholds. But they did not want absolute free trade, because then local revenues might have to be raised by a land tax, which would fall directly on them. The traders and bankers of the cities had the same tariff views as the graziers, whose wool they handle, whose transactions they finance, and whom they supply with merchandise. Thus the business men of Australia at this time, tho they called themselves free traders, were really in favor of a low revenue tariff, imposed chiefly upon luxuries.

This was the established policy, responding to the economic needs of the country, and intrenched by fifty years of precedent, when gold was discovered in Victoria. There was nothing in the mere discovery of gold and the rush of adventurers from all parts of the world to the gold fields to change the economic motive for a low tariff. The prospector and digger, like the squatter, wanted cheap supplies; and his gold, like the latter's wool, had the more value the more readily it could be exchanged with England. But within a decade a combination of influences, due to the gold discoveries, made Victoria a high-tariff colony. The authorities had imposed license fees for mining on crown land and an export duty on gold. The licenses caused an armed revolt at Ballarat, and the export tax made the gold-field representatives in the local parliament favor higher import duties, in order that the export duty on gold might be removed without diminishing the revenues. Both the license and the export tax were grievances that made the miners hostile to the pastoralist government then in power and to all its policies. At the same time a surplus of labor, following in the wake

of the gold-seekers, accumulated in Melbourne and a few other of the larger towns, establishing artisan communities and incipient manufactures. These people were protectionists, and allied in general sympathies with the miners against what was considered a land-holding aristocracy. After the first richness of the gold fields was exhausted, many miners drifted back into the cities, increasing the class of unemployed that sought relief through the establishment of new industries.

The struggle between the protectionists and the free traders, or revenue tariff party, caused a political crisis in Victoria, and ultimately brought about the resignation not only of the cabinet, but also of the royal governor. The lower house of parliament tacked clauses increasing the tariff on the appropriation bill, which the upper house refused to pass. As a result, no appropriations were made, and the government was left without money. A new election in 1865, attended with violent campaigning and rioting, resulted in a victory for the protectionists. A higher tariff was passed, which was considerably increased in 1877 and afterwards, reaching a maximum in 1892. Four years later some reductions were made, and soon afterwards the colonial tariff was superseded by a federal customs act.

While Victoria was pursuing her protectionist policy, her great rival, New South Wales, was favorable to free trade. In 1864, when the fiscal crisis was occurring in Victoria, the ministry in New South Wales was defeated in an attempt to increase the customs duties in order to meet a deficit of nearly \$2,000,000 in the revenues. However, upon an appeal to the country a parliament was elected that passed a tariff act, levying 5 per cent. *ad valorem* on imports. In 1873, during a period of prosperity, this tariff was repealed. Ten years later a protectionist party had also grown up in this colony, and an act imposing

higher duties was passed. This tariff was repealed by the free traders in 1887. From this time on there was in New South Wales a see-saw between approximate free trade and a low-customs duty with slight protectionist features, until federation removed the question from state politics.

New South Wales had favored free trade because Sydney drew great advantages from being the only large distributing center in Australia unhampered by tariff restrictions, and also because the people of that colony thought that, since water power is almost non-existent, their possession of the only important coal fields in the colonies would be more important than protective legislation in causing manufactures to locate within their territories. In the latter expectation they were disappointed; for Melbourne became the leading manufacturing city and for a time the financial center of Australia. The relatively greater prosperity of Victoria, at least until the crisis of 1893, was probably the principal reason for the slow rise of a mild protectionist party in New South Wales.

Meantime these diverse fiscal policies, which also appeared, tho in a less marked degree, in the other colonies, were an added obstacle to an intercolonial customs union, such as Great Britain had early tried to establish. The constitutions granted to the different colonies by the mother country permitted them to impose any duties they saw fit, provided they were not differential, even upon imports from England itself. At various times, conferences were held by representatives of the colonies in Australia to further intercolonial trade agreements. In 1871 such a conference tried vainly to form a customs union, and desired the home government to sanction reciprocity conventions to help intercolonial trade. Two years later another conference was held for the same purpose, which

made the same recommendation. Thereupon the British Parliament, upon motion of the Gladstone ministry, passed, in 1873, the Australian Colonial Duties Act, permitting differential duties among the colonies, but excluding Great Britain from such arrangements. However, the colonies did not avail themselves of this privilege, partly because different tariff policies, railway competition, and commercial rivalry made an agreement including New South Wales and Victoria impossible. In the eighties other conventions were held with the hope of forming a customs union; but the opposition of Victoria to intrusting to a commission authority to make a tariff, "recognizing fairly the interests and special circumstances of each colony," again defeated this project.

Very slowly, therefore, as intercommunication was perfected and intercourse among the colonies became more common, did the people recede from their policy of mutual trade isolation. Finally, with the growth of a spirit of nationality among all Australians, the sentiment in favor of federation made possible a general solution of the intercolonial tariff question with the other problems of union.

But this solution was not arrived at without much tribulation. Tariff discussions were acute in the federal convention, and the tariff provisions finally adopted threatened for a time to prevent the adoption of the constitution by some of the colonies. The tariff powers of the central government have been temporarily limited by compromises adopted to conciliate the interests of particular states.

The first constitutional convention, in 1891, submitted provisions for a federal tariff, that formed the basis of discussion in the second convention six years later. There was general agreement on the main issue,—intercolonial

free trade. In its relation to revenue this subject fell under three heads,—tariff, excise, and bounties. The drafters of the second constitution (1897), without discussion, provided that the central government should have exclusive authority to levy uniform import duties and excise taxes. Some members of the convention wished to have the states retain the right to continue a policy, already successfully adopted, of promoting local industries by export bounties; but the general sense of the delegates was that this might cause discriminations not unlike those which it was sought to abolish with the intercolonial tariffs. Subject to unimportant qualifications, therefore, the federal government was given control of bounties also.

Three of the five colonies represented in the convention of 1897 had protective tariffs. Of this group Victoria was the leading representative. Two years before New South Wales had changed from a protective to a free-trade policy. Western Australia was in an abnormal position, on account of the recent gold discoveries, without as yet a settled policy adopted to conform with its new conditions. Queensland was not represented. The diversity of policy in the different colonies, especially in the two leading colonies of Victoria and New South Wales, and the financial condition of the smaller colonies, South Australia and Tasmania, created a very delicate problem for the convention to solve. This related to the distribution to the states of customs revenues collected by the federal government. It had been agreed that, until a uniform tariff was enacted,—which was to occur within two years of federation,—federal officials should collect the customs imposed by the states, and that these customs should apply to interstate as well as to foreign imports. Therefore, the administration of the customs revenues became at once a federal function. Both before and after a uni-



form tariff was adopted, the Commonwealth was to turn over to the states the surplus revenue from duties not used for federal purposes. The proportion in which this revenue was to be distributed to the different states was a point at issue between a free-trade colony like New South Wales and the protectionist colonies; but this question related to finance rather than to the tariff as a separate subject. However, the smaller colonies, who had large interest charges to meet from local revenue, and already levied heavier direct taxes than their larger neighbors, were much concerned in the second point in controversy,—the proportion of the total customs revenue that should be returned to the states by the federal treasurer. Upon motion of Sir Edward Braddon, of Tasmania, the proportion of the customs revenue that might be used by the Commonwealth for federal purposes was finally limited to one-fourth the net amount collected. This guaranteed three-fourths of the revenue for state use. But the result was that the Commonwealth, in order to provide for its own expenditures, must raise at least four times their estimated amount by a tariff. This meant either a very high-revenue tariff or a protective tariff, and was considered a defeat for free trade. This clause of the constitution, known in the campaign for its adoption as “Braddon’s blot,” caused the defeat of federation in the first election in New South Wales.

Meantime it was recognized that Western Australia occupied a peculiar position. It was separated from the other states by four or five days’ sea travel; for even to-day there is no overland communication. The recent gold discoveries were bringing in a large number of immigrants, new inland cities were springing up, and there was a great demand for public expenditure upon railways and public works. The revenues were obtained chiefly from customs duties, and this was at the time almost the only ade-

quate source of supply available. But the imports were chiefly from the eastern colonies of Australia. This was particularly true of provisions,—a very large item, as the mines were absorbing all local labor,—and to no small extent it was also true of general merchandise, which was reshipped to the colony from Victoria. To cut off the revenue from these imports might bankrupt Western Australia, and certainly would seriously cripple its finance. Therefore, after much discussion, a provision was inserted in the constitution, providing that this state might retain its existing tariff upon imports from other states for five years, reducing it one-fifth annually. At the end of five years complete interstate free trade was to take effect. The state tariff, as well as the Commonwealth tariff on imports from foreign countries and Great Britain, was to be collected by federal officials. If during the five-year interval the federal duty upon any foreign article should be lower than the state duty, the higher rate was to be collected upon the importation of that article into Western Australia.

The administration of federal customs is regulated by the Customs Act of 1901, which provides that there shall be a minister of customs, a comptroller in actual charge of the administration, and a collector with subordinate officers in each state. There are the usual provisions for bonded warehouses, for a drawback on articles re-exported, except liquors, tobacco, and opium, and for the reference of disputed classifications and valuations to the minister. The government has the right to purchase any goods which are imported subject to an *ad valorem* duty, for 10 per cent. above their declared valuation. Where there is doubt as to the classification of an article, the higher duty is the legal one.

When a state prohibits the importation of any article, the federal customs officers enforce that prohibition “as

regards that state." This clause would prevent carrying imported intoxicating liquors into any state, under interstate commerce privileges, if the state should prohibit their importation and sale.

The Commonwealth itself prohibits the importation of several classes of articles specifically, and other articles may be prohibited by proclamation. Among the prohibited classes are adulterated tea, oleomargarine and other butter imitations unless colored and branded, goods bearing a false guarantee purporting to be given by another government upon inspection, and also all articles manufactured or partly manufactured by prison labor. Prohibited goods cannot be re-exported, and therefore cannot be admitted to the Commonwealth under bond.

Under a more recent act a new class of prohibited goods may be created for a time by proclamation. This law is in two parts, of which the first is directed against trusts and combinations, and repeats some of the clauses of our Sherman law. The second part copies many of its provisions from the Canadian act to prevent dumping. If the comptroller of customs believes that goods are being imported for sale at a price that does not provide a fair compensation for the manufacturers, as shown by the prices they charge for the same goods in other countries, freights being taken into consideration; or if he thinks that unduly high commissions are being paid Australian agents for selling such articles (such commissions, by allowing heavy discounts, may lower the real price); or if he thinks that the goods are imported for the purpose or with the effect of destroying an Australian industry,—he may lay the case before the minister of customs, who thereupon orders an investigation of the matter, and, if the charge or suspicion is proved true, the further importation of the goods in question is either prohibited entirely or made subject to conditions that prevent the evils mentioned.

The first federal customs tariff went into effect in the autumn of 1901 by administrative enactment, but the duties on many articles did not come fully into force until the following winter or spring. Where this occurred, the temporary duty was in most instances higher than the duty which was imposed by parliament after the act was in operation. Dutiable articles were classified in sixteen divisions, and the tariff included one hundred and thirty-nine items. Duties were specific or *ad valorem*, and in some cases both were levied on the same article. As a rule, the scale was a low one, as compared with the rates levied in the United States, tho adjusted so as to be protective to established industries. The principle of protection was even more explicitly recognized in an appendix to the schedule of class six, covering metals and machinery, which provided suspended duties on partly manufactured iron, galvanized iron, wire netting, iron and steel tubing, and some other articles, which should be collected as soon as the governor by proclamation declared that the manufacture of these products had been sufficiently established in the Commonwealth to justify protecting them.

Nevertheless, many, perhaps most, of the items in the tariff schedule of 1901 relate to articles either not produced directly in the Commonwealth or but partly manufactured there. Some of these are clearly luxuries, such as fine china. Others are as clearly necessities, and, what seems stranger to an American, are principally bought in the first instance by public authorities. Such, for instance, are railway iron and steel rails, which pay  $12\frac{1}{2}$  per cent. *ad valorem*. Among the most troublesome items of this class are advertisements, which are still taxed six pence a pound. The advertising matter in a magazine, if it exceeds one-fifth of the contents, is thus dutiable; and a copy of one of our popular monthlies is charged

with duty in proportion to the weight of its advertising pages.

In sum, the first federal customs act provided a low protective tariff, without disregarding more distinctly revenue features. This was in accordance with colonial precedent. The first ministry of the Commonwealth was composed of protectionists, with the support of the labor party, which, as a body, favors this fiscal doctrine. The free traders have been in office but once, and then for a short and uneventful period, during a temporary disagreement between the protectionists and the laborists over questions entirely unrelated with the tariff.

Before proceeding to the tariff act of 1907-08, in which the protective intent is shown even more strongly, the labor policy applied in the Australian tariffs may be described. That policy appears in the act of 1901, and has been carried still further in the later act.

A protectionist ministry, depending for office on the votes of an organized labor party in parliament, shows more concern in shielding workingmen, as well as invested capital, from foreign competition than is shown in the United States. In one direction this is manifested by measures restricting the entry of competing immigrant labor, as well as of foreign manufactures. The tariff regulations for the special benefit of labor are: (1) the prohibition to import manufactures upon which prison labor has been employed; (2) the sugar duties and bounties; (3) the conditional excise tariffs. The first of these calls for no explanation; but something may be said in detail of the second and third.

A duty of \$29.20 a ton is levied on all sugar imported into the Commonwealth. This protects the cane sugar planters of Queensland, who until recently have employed black labor in cultivation. The total protection is low-

ered, it is true, by an internal revenue tax of \$19.47 a ton on sugar made in Australia. But on all sugar made by white labor alone there is a cane bounty which amounts to \$14.60 a ton of sugar. Hence the net tariff protection of a planter using colored labor is only \$9.73 a ton, while the aggregate tariff and bounty protection of a planter using only white labor is \$24.33 a ton.

The government's figures indicate that this policy, combined with the prohibition to import black labor, has both increased the amount of sugar made and extended the use of white labor in cane farming. To show these facts, the following statement was presented by the treasurer of the Commonwealth in his budget speech of August, 1907:—

	1902.	1907.
Sugar made by white labor . . .	21,688 tons.	181,100 tons
Sugar made by black labor <sup>1</sup> . .	67,107 “	18,205 “
Total Australian crop .	88,795 tons.	199,305 tons.
Domestic sugar consumed in Australia . . . . .	92,506 tons.	195,176 tons.
Imported sugar consumed in Australia . . . . .	83,822 “	7,833 “
Internal revenue on domestic sugar,	\$1,350,603	\$3,124,381
Customs revenue on imported sugar,	2,447,598	228,733

The average price of sugar in the Commonwealth is about \$97 a ton.

Conditional excise tariffs are the distinctive feature of what is called the “New Protection” in Australia. They make the protection the manufacturer receives conditional upon his paying what is considered a fair wage to his employees and providing otherwise satisfactory labor conditions.

<sup>1</sup>Practically, all “Kanakan” (black) labor has now been withdrawn from Australia.

Two acts have been passed that embody this principle. One applies to certain kinds of agricultural machinery, such as strippers, ploughs, drills, harrows, corn huskers and shellers, chaff-cutters, and similar farm implements. Upon these there is an excise or internal revenue tax, which may be remitted where conditions of employment in a factory are declared to be fair and reasonable by a resolution of both houses of parliament or by a declaration of the president of the Commonwealth Arbitration Court or of any other industrial official of similar character, or where these conditions are those prescribed in an award or industrial agreement registered by the Arbitration Court. By the other law the excise upon distilled liquors may be increased a shilling a gallon where an employer fails to pay fair wages or works his men more than forty-eight hours a week or employs an excessive number of children.

This principle is to be widely extended in the tariff policy now in process of adoption. In introducing the new bill, the acting premier said: "If we are going to have protection for the manufacturers and protection for the producers, we must have a system of protection for the laboring classes. . . . The method by which it is proposed to secure that manufacturers whose manufactures are protected by the new tariff shall only enjoy that protection on condition that they pay a fair rate of wages is, in outline, as follows: (1) an excise duty (internal revenue tax), at rate of half the duty imposed by the tariff on imported goods of the same class, is to be imposed on all goods manufactured in Australia; (2) an exemption is to be made as to all goods that are manufactured under conditions as to remuneration of labor that are fair and reasonable." To determine what manufacturers are to be exempt from the internal tax, a board of excise, or "Excise Tariff Court," has been constituted, with powers

to take evidence under oath, enter factories, interrogate employees, compel the production of books, or to have these things done by delegation, so as to ascertain what manufactures are produced under labor conditions conforming with the requirements of the law.

The method of collecting the tax is very simple. Two years ago a trade-mark act was passed, making provision, among other things, for a Commonwealth trade-mark, which was to be applied, on authority of the minister of customs, to Australian manufactures produced under satisfactory conditions of employment. It resembles a Consumers' League label. Hereafter manufacturers who are not paying the rates of wages and observing the hours of labor and conditions of child employment required by the law must place on every article they turn out an excise stamp, like our internal revenue stamp, equal in value to one-half the import duty on the article in question. But those who are exempted from this tax, on account of the favorable labor conditions in their factories, will be allowed to affix the Commonwealth trade-mark to their goods, in lieu of the revenue stamp, and without expense.

The application of the principle will become universal with the full adoption of the recent custom measures. The earlier law, relating only to some kinds of agricultural machinery, went into effect at the beginning of 1907. It was not until June of that year that the South Australian manufacturers, who are leading makers of this class of machinery, secured official exemption from the excise. Some months later the Victorian manufacturers were cited before the Commonwealth Industrial Arbitration Court, which had been made also the Excise Tariff Court, to show whether they had not incurred the tax liability providing by the law for not paying fair wages. They were convicted; that is, the finding of the court was that common laborers in their employ, who had been



receiving \$1.46 a day, should have received \$1.70, and so they became liable for back payments of the tax from the first of the year. This amount was a large sum in a few cases, and in one instance was nearly \$150,000. The manufacturers refused to pay this, and threatened to carry the question of the constitutionality of the law before a higher court. Finally, the back taxes were remitted on condition that the wages prescribed by the court should be paid thereafter, together with arrears in that rate of wages from the date the act went into operation. The manufacturers, with a single exception, adopted the new wage scale, but refused to apply it to the compensation of their employees prior to the decision. Litigation has not yet terminated, and the Arbitration Court has asked parliament to give it additional inquisitorial powers, to enable it more fully to ascertain the true conditions of employment in manufacturing industries affected by this legislation. Manufacturers naturally hesitated to test the constitutionality of the law, lest in overthrowing it they deprive themselves of tariff protection. But a case involving this point has at length reached the High Court, and a decision as to the authority of parliament to regulate wages under the guise of taxation is now pending.

A final feature of the New Protection, as applied in the recent tariff, remains to be mentioned. In order to prevent manufacturers and employees from combining to raise the price of wages and product together, so that the actual working of the act might become oppressive to the public, the Excise Court, or a commission appointed to investigate the question, may recommend to parliament that duties be lowered whenever prices become too high or there is evidence that a combination exists in any industry.

The free traders received the New Protection proposals

of the protectionist-labor government with delight, professing to find in them a confession on the part of their opponents that the old protection, for which the latter had argued so many years, did not really improve the condition of the producing or laboring classes, and could not be defended in an appeal to workers based on their own interests. Otherwise all the new provisions now introduced would have been unnecessary. At the same time they gave their support to the proposals, tho sceptical of a protectionist government's sincere intention to reduce duties, if prices were found too high. Mr. Reid, the leader of the free traders, declared that, if the new project of the government had come from his side of the house, it would have been regarded as an attack upon protection.

The conditional excise tariff program, therefore, takes its place with the Industrial Arbitration Act, the Australian Industries Preservation Act, or anti-trust law, and the Commonwealth trade-mark provisions,—called by their opponents the “union label clauses,”—of the federal trade-mark law, and the sugar bounty and immigration acts, as federal legislation directly modified in the special interests of labor.

The second federal tariff, succeeding the Kingston Act of 1901, went into effect in August, 1907. The Commonwealth follows the British custom of enforcing a tariff from the time it is presented to parliament by the ministry, modifying the rate of duty collected, if necessary, as the latter body passes on the several items. The revision was by protectionists, tho free traders were represented on the tariff commission whose report formed the basis of the ministry's schedule. The number of dutiable items has been raised from 139 to over 440, and the free list reduced from \$60,000,000 to about \$20,000,000. Duties have increased about 4 per cent. of the total value of

imports, excluding coin and bullion. But their ratio to total importations is still over 2 per cent. less than in the United States. This ratio is indicated by the following table, showing the general range of duties in the two tariffs, and comparing them with the tariffs of other colonies and of the United States.

PER CENT OF CUSTOMS DUTIES TO VALUE OF IMPORTS

	Year	All Imports, excluding bullion and coin	All Dutiable Imports,		All Imports, excluding coin, bullion, narcotics, and stimulants
			Excluding narcotics and stimulants	Including narcotics and stimulants	
Old Commonwealth Tariff .	1906	17 15	27 02	16 92	10 58
New Commonwealth Tariff,	1907	21	[26 1 27 2 <sup>2</sup> ]	[17 1 17 6 <sup>2</sup> ]	13
Victoria . . . . .	1899	12 6	34.57	25 27	8 23
Canada . . . . .	1906	16 25	26 4	23 92	14 48
New Zealand . . . . .	1906	18 55	30 05	21 96	11 9
United States . . . . .	1905	23.12	43 06	39 75	22 23

Preferential trade with Great Britain has been under discussion in Australia for many years, and at the recent colonial conference in England Mr. Deakin, the premier of the Commonwealth, tried to secure from the home government a promise of reciprocal trade favors when the Commonwealth should have opened its doors to British goods on more favorable terms than those of other countries. This was refused. But sentiment in favor of preference is too strong in Australia to allow of delaying the question for further negotiations. Therefore, the new tariff gives the mother country preference, but in such a way that British goods, tho in many cases they pay a lower duty than the same goods from other countries, are frequently more heavily taxed than they were under

<sup>1</sup> Including goods dutiable only when not of British origin.

<sup>2</sup> Excluding goods dutiable only when not of British origin

the old tariff. The most important items are shown in the following table:<sup>1</sup>—

Article.	Value of Imports from		Old Duty.	New Duty on	
	Great Britain.	Other Countries.		British Goods.	Goods of other countries.
Apparel . . . . .	\$5,270,863	\$1,726,023	20 & 25%	25 & 35%	30 & 45%
Woolen piece goods . .	8,073,800	1,635,727	20%	10 & 25%	15 & 30%
Cotton piece goods . .	15,682,730	1,421,060	5%	Free	5%
Silk piece goods . . .	486,666	2,934,600	15%	15%	20%
Velvet piece goods . .	1,333,670	1,559,530	15%	15%	20%
Trimmings . . . . .	545,070	827,330	15%	15%	25%
Iron, galvanized (ton) <sup>2</sup> .	5,025,270	180,070	15 & 30 s	10 & 20 s	20 & 30 s.
Iron and steel pipe <sup>3</sup> . .	1,215,670	496,400	Free	Free	Free
Machinery, Agricultural <sup>4</sup>	187,366	1,187,470	12½%	Free	10%
Machinery . . . . .	3,107,148	1,457,411	Free	Free	Free
Wire netting . . . . .	1,844,470	695,930	Free	5	5
Paints and colors . . .	1,060,930	199,630	6	6	6
Boots and shoes . . . .	911,040	540,200	7	30%	35%
Leather . . . . .	317,939	1,427,972	15%	15 to 25%	15 to 25%
Fancy goods . . . . .	659,433	702,260	20%	25%	30 & 35%
Jewelry . . . . .	1,211,800	438,000	15 & 25%	35%	40%
Hats and caps . . . . .	1,384,567	411,238	8	8	8
Pianos . . . . .	119,652	1,054,952	9	25%	30%

The most important reduction in the new tariff is upon cotton goods, and this was made by parliament, which modified the ministry's proposal that the old duty of 5

<sup>1</sup> These duties are subject to modification, as the two houses of parliament had not reached final agreement on all the items when this article was written (April, 1908)

<sup>2</sup> The higher duty for corrugated galvanized iron, the lower for other iron plates.

<sup>3</sup> Cast-iron and riveted pipe over 6 inches diameter pay \$4 86 a ton if of British and \$7.30 a ton if of other foreign origin

<sup>4</sup> Not including strippers and other machinery manufactured in Australia.

<sup>5</sup> See mention of wire netting duties in subsequent paragraph

<sup>6</sup> There are several items upon which specific duties are levied under this head. Under the old tariff prepared paints paid 24 cents a cwt plus 15 per cent. *ad valorem*. They now pay 15 per cent if of British and 30 per cent. if of other foreign origin.

<sup>7</sup> The old duty was 15 per cent plus a specific duty ranging from \$2 19 to \$4 86 a dozen, according to size

<sup>8</sup> The old duty was \$2 43 a dozen and 15 per cent. *ad valorem*, the new duty is as follows wool felt hats, British, \$2 92 dozen; other foreign, \$3 89 dozen: fur felt hats, British, \$4 86 dozen, other foreign, \$6 06 per dozen. other hats, 30 per cent if of British and 35 per cent if of other foreign origin.

<sup>9</sup> Grand pianos were formerly taxed \$59 40 plus 15 per cent. *ad valorem*, and upright pianos \$19 46 plus 15 per cent *ad valorem*.

per cent. should be retained against Great Britain and an additional duty of 5 per cent. levied on cottons from other countries. Woollen piece goods are classified under more headings than in the previous tariff. Those weighing not over five ounces per square yard (women's dress goods) are admitted at a lower rate; but the duty on worsteds and tweeds and such heavier suitings as are manufactured in Australia has been increased even against the mother country. There was room for a difference of opinion, even among the tariff experts of parliament, as to the real effect of the preferential clauses. The most effective preference seems to have been given upon those articles which Australia already imports chiefly from Great Britain. In the original bill the average preference, upon preferred items, was estimated to be  $23\frac{1}{2}$  per cent. of the higher duty; and this ratio was increased to about  $25\frac{1}{2}$  per cent. by Parliament. It is maintained by the government that British exporters will pay, upon a basis of their shipments to Australia in 1906, about three-quarters of a million sterling less in duties annually than if they were required to pay the full tariff.

So far as trade with the United States is concerned, the new tariff is not so unfavorable as these general statements might imply. Our trade with the Commonwealth has been growing rapidly. The Australian valuation of imports from this country rose from \$12,000,000 in 1891 to \$28,000,000 in 1901 and over \$31,000,000 in 1903. Australia takes more goods from us than from any other country except Great Britain, and nearly three times as much as from Germany, the country next to our own in rank. On the other hand, both Germany and France buy more produce from Australia than does the United States. They take wool to the value of nearly \$8,000,000 annually from the Commonwealth, or twice as much as we import. For their American goods the Australians

pay chiefly in specie or bullion, nearly \$8,000,000 of the \$15,000,000 we receive annually from them being in that commodity.

In spite of these trade relations with European countries, the tariff recently imposed is relatively easier on our trade than on that of Germany and France, principally because those countries compete more directly than we do with Great Britain in the goods they send to the Commonwealth. For instance, our largest export to Australia is wheat, which we send to the value of over \$5,000,000. Next in value is timber, of which we send over \$2,500,000 worth. Tobacco to nearly the same value, and somewhat less petroleum, are other products in which we meet practically no competition from England. We have a large market for machinery in Australia, and our harvester trust, as well as our tobacco trust, has been legislated against pretty directly. But mining machinery is bought freely in America, and many of our specialties, such as typewriters, phonographs, sewing-machines, tools, and machine tools, are either free of duty or admitted at merely nominal rates.

Coghlan estimates that the proportion of total Australian imports received from the mother country has fallen from one-third to one-fourth within a decade, and that this was largely due to the use of foreign manufactures. The new tariff may check this tendency. But, even if it has little economic influence, it indicates a sentiment in favor of recognizing imperial obligations, and that sentiment itself is an important protection for British commercial interests in Australasia. I was once walking over the government wharves at Wellington with one of the superintendents. He pointed to a warehouse containing a quantity of iron or steel rods or pipes, saying, "We used to get a good deal of that stuff from Germany, but we've been buying it of you Yankees since the Boer War."

The influence of a uniform tariff upon Australian manufactures has been beneficial, tho the two parties in Parliament cannot agree whether this is due to intercolonial free trade or extra-colonial protection. Victoria was an old seat of manufactures, and has drawn much advantage from her superior preparation in securing the market for her goods in other states of the Commonwealth. Nevertheless, there has been something of a manufacturing boom in all of the other colonies, with the possible exception of Tasmania. In 1904 I found new factories and factory extensions almost equally common in Brisbane, Sydney, Melbourne, and Adelaide, and even in Western Australia they had begun to manufacture shoes. The Victorians, using American shoe machinery (not infrequently under the superintendence of American or American-trained foremen) have built up a large local trade, and have well-equipped factories, with considerable specialization of production. This is the line of manufacture best established in the Commonwealth, and some 4,000,000 pairs of shoes are made annually.

Woollen mills were started many years ago to provide coarser fabrics from native wool. The ups and downs of this industry remind one of the history of the same manufacture in America. Its variations in Victoria, independent of the amount of protection it received, are often quoted by free traders. For instance, the number of employees and the rate of protection were as follows the years mentioned:—

## VICTORIAN WOOLLEN MILLS.

<i>Year.</i>	<i>Per Cent of Duty</i>	<i>Number of Employees.</i>
1878 . . . . .	11.	736
1886 . . . . .	22.	780
1889 . . . . .	33.	810
1895 . . . . .	44.	690
1906 (federal tariff) . . . . .	16 5	1,284

Clothing and shirt factories are numerous, and some of the establishments are large. Apparel has been protected in most of the colonies, but the industry has been specially prosperous since federation. Certain kinds of agricultural machinery are manufactured on a fairly extensive scale, and one Victorian manufacturer ships a combined harvester and stripper of his own invention, in train-load lots, to Algiers, the Argentine, and other countries.

The growing value of Australian manufactures is roughly indicated by the following table, which shows the respective importations of domestic and foreign manufactured articles of three classes, for the five continental states of the Commonwealth, for two years. These figures do not include the value of goods manufactured in each state that are consumed in the same state, and therefore are not to be confounded with total value of domestic manufactures, which would be much larger.

STATE IMPORTATIONS FROM FOREIGN COUNTRIES AND FROM OTHER STATES

	1903.		1904	
	Australian.	Foreign	Australian	Foreign.
Apparel . . . . .	\$1,425,000	\$6,886,000	\$2,146,000	\$7,835,000
Boots and shoes . . . .	1,469,000	1,260,000	1,948,000	1,240,000
Machinery . . . . .	1,370,000	8,750,000	1,742,000	8,278,000

Therefore, in each instance there was a larger proportionate increase in the interchange of domestic than of foreign manufactures, and the value of Australian-made machinery crossing state borders increased well toward \$400,000 during a year when the trade in imported machinery declined more than that amount.

From 1899 to 1904 the value of domestic manufactures



shipped from Victoria to other states increased by the following amounts, in round figures, for the articles mentioned: apparel, \$1,300,000; boots and shoes, \$1,300,000; machinery, \$375,000; flannels, \$225,000; and other woollens, \$80,000. These figures, as well as the preceding, appear small in comparison with the statistics of manufactures and interstate commerce in America, but they are for a population of 4,000,000, or about one-twentieth that of the United States. They show that conditions attending and following federation have been favorable to Australian manufacturers. These are not due entirely to good seasons, for in the interim the country has been afflicted with one of the severest droughts in its history. But they are probably due in a greater degree to the broader market afforded under interstate free trade than to the fiscal policy affecting foreign imports.

The federal tariff has been put into operation without the serious controversies respecting the nature of the constitution and the rights of the states that in our own country followed the adoption of a protective policy. This is partly because such issues are now better understood and have been more explicitly provided against in the organic law, and partly because the whole Commonwealth is a dependency of the empire, subject in the last recourse to her control. Nevertheless, the horizon in Australia has not been entirely free from clouds. The right of the federal government to levy duties on goods imported by the state governments has been contested, and never settled. Thus the states have been made to pay heavily upon the railway materials they have imported, and this has been a cause of complaint by the state commissioners. New South Wales secured a decision in the Supreme Court of the state that such duties were unconstitutional, but the federal government disregarded the decision. A High Court is provided for in the

Commonwealth constitution, to decide questions of this sort or to refer them, if it pleases, to the Privy Council. But this court had not been organized, and the federal authorities would not permit a direct appeal to the Privy Council as desired by the state. Therefore, New South Wales, as regards these duties, had no recourse in law that the Commonwealth government was bound to recognize. Matters came to a crisis after the recent tariff of August, 1907, was imposed. This tariff levied a duty of 30 per cent. (British manufacture, 25 per cent.) upon wire netting, which is extensively used in Australia for rabbit protection. The New South Wales government had a large amount of such netting ordered for public use in protecting its crown lands and neighboring properties from rabbit invasion, when the tariff went into effect. The state authorities refused to pay the new duty,—wire netting had previously been free or subject to but nominal rates,—and seized by force the netting consigned to them. The federal authorities appear to have made no resistance, tho, had they been informed beforehand of the design of the local government, there might have been an acute crisis. The matter is now in the way of compromise, pending a decision on the constitutional aspects of the question, and the duty on wire netting has been reduced by parliament.

As a revenue producer, the former federal tariff was a success, and the new one is expected to be equally satisfactory. The actual collections under the old tariff, during its last year of operation, exceeded \$45,000,000, and a gross revenue of about \$52,000,000 is expected from the new tariff the present year.<sup>1</sup> This will be nearly double the aggregate collections under the tariffs of the different states at the time the constitution was adopted.

<sup>1</sup>During the last six months of 1906 the customs revenue was \$18,939,448; during the corresponding six months of 1907, the new tariff having been in force since August 8, the collections were \$23,420,668

Nothing is more dangerous than to predict the future fiscal policy of a government, especially when that government is separated by half the circumference of the earth from one's own. But it seems likely that protection has come to Australia to remain for an indefinite period. The growing labor party favors this policy, and there are a host of special interests growing up dependent upon a continuance of that policy for their existence. The constant demand for new revenue, in order to carry out the various social programs of the progressive or radical reformers,—as one chooses to dub them,—will make it difficult to reduce duties. Federal old-age pensions, likely to come within a few years, will absorb public money, perhaps even more thirstily than our army pensions. A transcontinental railway will require funds. It has been proposed to have the federal government assume the state debts; and, tho under the Braddon proviso, interest upon them is now indirectly paid from customs revenues, the operation of transfer may be expected to add to federal burdens. Finally, the spirit of nationality is seeking expression in an Australian navy and increased expenditures for defense. Australia, like America, has a Japanese scare. There is even in view the possibility of a federal capital, a new city to be built by the Commonwealth as a home for its government, tho this prospect is frequently obscured by financial discouragements. With all these demands upon its pocket ahead, the federal government is likely to rely upon import duties for a large revenue and to continue protection.

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